

House File 634 - Introduced

HOUSE FILE 634

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 228)

A BILL FOR

1 An Act relating to the policy administration of the tax and
2 related laws and related programs by the department of
3 revenue, including administration of income taxes, sales
4 and use taxes, the orderly wind-up and eventual repeal of
5 the Iowa fund of funds program, the replacement taxes task
6 force, a study report related to administrative appeals
7 processes for tax matters, and including effective date and
8 retroactive and other applicability provisions.

9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I
INCOME TAXES

Section 1. Section 2.48, subsection 3, paragraph c, subparagraph (4), Code 2013, is amended by striking the subparagraph.

Sec. 2. Section 2.48, subsection 3, paragraph e, subparagraph (5), Code 2013, is amended by striking the subparagraph.

Sec. 3. Section 15.119, subsection 2, paragraph c, Code 2013, is amended by striking the paragraph.

Sec. 4. Section 422.5, subsection 1, paragraph j, subparagraph (2), subparagraph division (a), Code 2013, is amended to read as follows:

(a) The tax imposed upon the taxable income of a resident shareholder in an S corporation or of an estate or trust with a situs in Iowa that is a shareholder in an S corporation, which S corporation has in effect for the tax year an election under subchapter S of the Internal Revenue Code and carries on business within and without the state, may be computed by reducing the amount determined pursuant to paragraphs "a" through "i" by the amounts of nonrefundable credits under this division and by multiplying this resulting amount by a fraction of which the resident's or estate's or trust's net income allocated to Iowa, as determined in section 422.8, subsection 2, paragraph "b", is the numerator and the resident's or estate's or trust's total net income computed under section 422.7 is the denominator. If a resident shareholder, or an estate or trust with a situs in Iowa that is a shareholder, has elected to take advantage of this subparagraph (2), and for the next tax year elects not to take advantage of this subparagraph, the resident or estate or trust shareholder shall not reelect to take advantage of this subparagraph for the three tax years immediately following the first tax year for which the shareholder elected not to take advantage of this subparagraph, unless the director consents to the reelection.

1 This subparagraph also applies to individuals who are residents
2 of Iowa for less than the entire tax year.

3 Sec. 5. Section 422.8, subsection 2, paragraph b,
4 unnumbered paragraph 1, Code 2013, is amended to read as
5 follows:

6 A resident's income, or the income of an estate or trust with
7 a situs in Iowa, allocable to Iowa is the income determined
8 under section 422.7 reduced by items of income and expenses
9 from an S corporation that carries on business within and
10 without the state when those items of income and expenses pass
11 directly to the shareholders under provisions of the Internal
12 Revenue Code. These items of income and expenses are increased
13 by the greater of the following:

14 Sec. 6. Section 422.15, subsection 2, Code 2013, is amended
15 to read as follows:

16 2. Every partnership, including limited partnerships
17 ~~organized under chapter 488, having a place of business in~~
18 ~~the state, doing business in this state, or deriving income~~
19 from sources within this state as defined in section 422.33,
20 subsection 1, shall make a return, stating specifically the net
21 income and capital gains (or losses) reported on the federal
22 partnership return, the names and addresses of the partners,
23 and their respective shares in said amounts.

24 Sec. 7. Section 422.33, subsections 9 and 27, Code 2013, are
25 amended by striking the subsections.

26 Sec. 8. REPEAL. Sections 16.211, 16.212, and 422.11X, Code
27 2013, are repealed.

28 Sec. 9. EFFECTIVE UPON ENACTMENT. This division of this
29 Act, being deemed of immediate importance, takes effect upon
30 enactment.

31 Sec. 10. RETROACTIVE APPLICABILITY. The following
32 provision or provisions of this division of this Act apply
33 retroactively to January 1, 2013, for tax years beginning on
34 or after that date:

35 1. The section of this division of this Act amending section

1 422.5.

2 2. The section of this division of this Act amending section
3 422.8.

4 3. The section of this division of this Act amending section
5 422.15.

6 DIVISION II

7 SALES AND USE TAXES

8 Sec. 11. Section 421.26, Code 2013, is amended to read as
9 follows:

10 **421.26 Personal liability for tax due.**

11 If a licensee or other person under section 452A.65, a
12 retailer or purchaser under chapter 423A, 423B, or 423E, or
13 section 423.31 or 423.33, or a retailer or purchaser under
14 section 423.32, a user under section 423.34, or a permit holder
15 or licensee under section 453A.13, 453A.16, or 453A.44 fails
16 to pay a tax under those sections when due or is subject
17 to repayment of a sales and use tax refund received under
18 section 15.331A, an officer of a corporation or association,
19 notwithstanding section 489.304, a member or manager of a
20 limited liability company, or a partner of a partnership,
21 having control or supervision of or the authority for remitting
22 the tax payments or receiving sales and use tax refunds
23 and having a substantial legal or equitable interest in the
24 ownership of the corporation, association, limited liability
25 company, or partnership, who has intentionally failed to pay
26 the tax or whose corporation, association, limited liability
27 company, or partnership is subject to repayment of a sales and
28 use tax refund received under section 15.331A, is personally
29 liable for the payment of the tax, interest, and penalty due
30 and unpaid or repayment of the sales and use tax refund.
31 However, this section shall not apply to taxes on accounts
32 receivable. The dissolution of a corporation, association,
33 limited liability company, or partnership shall not discharge a
34 person's liability for failure to remit the tax due or repay a
35 sales and use tax refund.

1 Sec. 12. Section 423.1, subsection 5, Code 2013, is amended
2 to read as follows:

3 5. "*Agricultural production*" includes the production of
4 flowering, ornamental, or vegetable plants in commercial
5 greenhouses or otherwise, and production from aquaculture,
6 and production from silvicultural activities. "*Agricultural*
7 *products*" includes flowering, ornamental, or vegetable plants
8 and those products of aquaculture and silviculture.

9 Sec. 13. Section 423.2, subsection 6, paragraph a, Code
10 2013, is amended to read as follows:

11 a. The sales price of any of the following enumerated
12 services is subject to the tax imposed by subsection
13 5: alteration and garment repair; armored car; vehicle repair;
14 battery, tire, and allied; investment counseling; service
15 charges of all financial institutions; barber and beauty;
16 boat repair; vehicle wash and wax; campgrounds; carpentry;
17 roof, shingle, and glass repair; dance schools and dance
18 studios; dating services; dry cleaning, pressing, dyeing, and
19 laundering; electrical and electronic repair and installation;
20 excavating and grading; farm implement repair of all kinds;
21 flying service; furniture, rug, carpet, and upholstery
22 repair and cleaning; fur storage and repair; golf and country
23 clubs and all commercial recreation; gun and camera repair;
24 house and building moving; household appliance, television,
25 and radio repair; janitorial and building maintenance or
26 cleaning; jewelry and watch repair; lawn care, landscaping,
27 and tree trimming and removal; limousine service, including
28 driver; machine operator; machine repair of all kinds; motor
29 repair; motorcycle, scooter, and bicycle repair; oilers and
30 lubricators; office and business machine repair; painting,
31 papering, and interior decorating; parking facilities; pay
32 television; pet grooming; pipe fitting and plumbing; wood
33 preparation; executive search agencies; private employment
34 agencies, excluding services for placing a person in employment
35 where the principal place of employment of that person is to

1 be located outside of the state; reflexology; security and
2 detective services, excluding private security and detective
3 services furnished by a peace officer with the knowledge and
4 consent of the chief executive officer of the peace officer's
5 law enforcement agency; sewage services for nonresidential
6 commercial operations; sewing and stitching; shoe repair
7 and shoeshine; sign construction and installation; storage
8 of household goods, mini-storage, and warehousing of raw
9 agricultural products; swimming pool cleaning and maintenance;
10 tanning beds or salons; taxidermy services; telephone
11 answering service; test laboratories, including mobile testing
12 laboratories and field testing by testing laboratories, and
13 excluding tests on humans or animals; termite, bug, roach, and
14 pest eradicators; tin and sheet metal repair; transportation
15 service consisting of the rental of recreational vehicles or
16 recreational boats, or the rental of motor vehicles subject
17 to registration which are registered for a gross weight of
18 thirteen tons or less for a period of sixty days or less, or
19 the rental of aircraft for a period of sixty days or less;
20 Turkish baths, massage, and reducing salons, excluding services
21 provided by massage therapists licensed under chapter 152C;
22 water conditioning and softening; weighing; welding; well
23 drilling; wrapping, packing, and packaging of merchandise other
24 than processed meat, fish, fowl, and vegetables; wrecking
25 service; wrecker and towing.

26 Sec. 14. Section 423.3, subsection 47, paragraph a,
27 unnumbered paragraph 1, Code 2013, is amended to read as
28 follows:

29 The sales price from the sale or rental of computers,
30 machinery, and equipment, including replacement parts and
31 consumable supplies, and materials used to construct or
32 self-construct computers, machinery, and equipment if such
33 items are any of the following:

34 Sec. 15. Section 423.3, subsection 47, paragraph d, Code
35 2013, is amended by adding the following new subparagraph:

1 NEW SUBPARAGRAPH. (02) "*Consumable supplies*" means tangible
2 personal property, other than computers, machinery, equipment,
3 or raw materials, that is consumed or expended during the
4 manufacture of other tangible personal property. The term
5 "*consumable supplies*" includes but is not limited to oils,
6 greases, hydraulic fluids, coolants, and lubricants.

7 Sec. 16. Section 423.3, subsection 47, paragraph d,
8 subparagraph (4), Code 2013, is amended to read as follows:

9 (4) "*Manufacturer*" means ~~as defined in section 428.20~~ a
10 person who purchases, receives, or holds personal property
11 of any description for the purpose of adding to its value by
12 a process of manufacturing, refining, purifying, combining
13 of different materials, or by the packing of meats, with a
14 view to selling the property for gain or profit, but also
15 includes contract manufacturers. A contract manufacturer is
16 a manufacturer that otherwise falls within the definition of
17 manufacturer ~~under section 428.20~~, except that a contract
18 manufacturer does not sell the tangible personal property
19 the contract manufacturer processes on behalf of other
20 manufacturers. A business engaged in activities subsequent
21 to the extractive process of quarrying or mining, such as
22 crushing, washing, sizing, or blending of aggregate materials,
23 is a manufacturer with respect to these activities. This
24 subparagraph (4) shall not be construed to require that a
25 person be primarily engaged in an activity listed in this
26 subparagraph in order to qualify as a manufacturer for purposes
27 of this subsection.

28 Sec. 17. Section 423.3, subsection 47, paragraph d, Code
29 2013, is amended by adding the following new subparagraph:

30 NEW SUBPARAGRAPH. (7) (a) "*Replacement part*" means
31 tangible personal property that meets all the following
32 conditions:

33 (i) The tangible personal property replaces a component of
34 a computer, machinery, or equipment, which component is capable
35 of being separated from the computer, machinery, or equipment.

1 (ii) The tangible personal property performs the same or
2 similar function as the component it replaced.

3 (iii) The tangible personal property restores the computer,
4 machinery, or equipment to its original operating condition, or
5 upgrades or improves the efficiency of the computer, machinery,
6 or equipment.

7 (b) "*Replacement part*" does not include a consumable
8 supply or a jig, die, tool, or other device that is used in
9 conjunction with machinery or equipment and that is specially
10 designed for use in manufacturing specific products and that
11 may be used interchangeably and intermittently on a particular
12 machine or piece of equipment.

13 Sec. 18. Section 423.3, Code 2013, is amended by adding the
14 following new subsection:

15 NEW SUBSECTION. 99. The sales price from services furnished
16 by forestry consultants and forestry vendors engaged in
17 forestry practices on private or public land.

18 DIVISION III

19 IOWA FUND OF FUNDS

20 Sec. 19. Section 15E.62, Code 2013, is amended by adding the
21 following new subsections:

22 NEW SUBSECTION. 03. "*Creditor*" means a person, including
23 an assignee of or successor to such person, who extends credit
24 or makes a loan to the Iowa fund of funds or to a designated
25 investor, and includes any person who refinances such credit
26 or loan.

27 NEW SUBSECTION. 04. "*Fund documents*" means all agreements
28 relating to matters under the purview of this division VII
29 entered into prior to the effective date of this division of
30 this Act between or among the state, the Iowa fund of funds, a
31 fund allocation manager or similar manager, the Iowa capital
32 investment corporation, the board, a creditor, a designated
33 investor, and a private seed or venture capital partnership,
34 and includes other documents having the same force and effect
35 between or among such parties, as any of the foregoing may be

1 amended, modified, restated, or replaced from time to time.

2 Sec. 20. Section 15E.65, subsection 2, paragraph h, Code
3 2013, is amended to read as follows:

4 ~~h. Fifty years after the organization of the Iowa fund~~
5 ~~of funds~~ As soon as practicable after the effective date
6 of this division of this Act, the Iowa capital investment
7 corporation, in conjunction with the department of revenue,
8 the board, and the attorney general, shall wind up the Iowa
9 fund of funds pursuant to section 15E.72 and shall cause the
10 Iowa fund of funds to be liquidated with all of its assets
11 distributed to its owners in accordance with the provisions of
12 its organizational documents and in accordance with the fund
13 documents. In liquidating such assets, the capital investment
14 corporation, the department of revenue, the board, and the
15 attorney general shall act with prudence and caution in order
16 to minimize costs and fees and to preserve investment assets to
17 the extent reasonably possible.

18 Sec. 21. NEW SECTION. 15E.72 Program wind-up and future
19 repeal.

20 1. *Findings.* The general assembly finds that the Iowa fund
21 of funds program established pursuant to this division has
22 not fulfilled the purposes described in section 15E.61 to the
23 extent necessary to justify the fifty-year timeframe for the
24 program that was originally envisioned in this division VII and
25 that an early and orderly wind-up of the program is desirable.

26 2. *Organization of additional funds prohibited.*

27 Notwithstanding section 15E.65, an Iowa fund of funds shall not
28 be organized on or after the effective date of this division
29 of this Act.

30 3. *New investments by the fund of funds prohibited.*

31 Notwithstanding section 15E.65, the Iowa fund of funds shall
32 not make new investments in private seed and venture capital
33 partnerships or entities on or after the effective date of this
34 division of this Act except as required by the fund documents.

35 4. *New investments by designated investors prohibited.*

1 *a.* Except as provided in paragraph "b", and notwithstanding
2 any other provision in this division VII, a designated investor
3 shall not invest in the Iowa fund of funds on or after the
4 effective date of this division of this Act.

5 *b.* Notwithstanding the prohibition in paragraph "a", a
6 designated investor may invest in the Iowa fund of funds on or
7 after the effective date of this division of this Act to the
8 extent such investment is required by the fund documents. In
9 addition, the director of revenue, with the approval of the
10 attorney general, may authorize additional investment in the
11 Iowa fund of funds but only if such an investment is necessary
12 to preserve fund assets, repay creditors, pay taxes, or
13 otherwise effectuate an orderly wind-up of the program pursuant
14 to this section.

15 5. *Issuance, verification, and redemption of new certificates*
16 *prohibited.*

17 *a.* Except as provided in paragraph "b", and notwithstanding
18 any other provision in this division VII, the board shall not
19 issue, verify, or redeem a certificate or a related tax credit
20 on or after the effective date of this division of this Act.

21 *b.* Notwithstanding the prohibition in paragraph "a", the
22 board may issue, redeem, or verify a certificate or a related
23 tax credit under any of the following conditions:

24 (1) The board is required to do so under the terms of the
25 fund documents.

26 (2) The issuance, redemption, or verification is deemed
27 necessary by the director of revenue and the attorney general
28 in order to arrange new financing terms with a creditor.

29 (3) The issuance, redemption, or verification is deemed
30 necessary by the director of revenue and the attorney general
31 to preserve fund assets, repay creditors, or otherwise
32 effectuate an orderly wind-up of the program pursuant to this
33 section.

34 6. *New fund allocation managers prohibited.*

35 *a.* Notwithstanding any other provision in this division

1 VII, the Iowa capital investment corporation shall not have
2 authority to solicit, select, terminate, or change a fund
3 allocation manager or similar manager on or after the effective
4 date of this division of this Act.

5 *b.* On or after the effective date of this division of this
6 Act, all decisions pertaining to relationships with a fund
7 allocation manager or similar manager selected prior to the
8 effective date of this division of this Act shall be made
9 by the director of revenue with the approval of the attorney
10 general. This subsection shall not be construed to impair the
11 terms of the fund documents.

12 7. *Pledging of certificates prohibited.*

13 *a.* Except as provided in paragraph "b", and notwithstanding
14 any other provision of law to the contrary, a certificate and a
15 related tax credit or verified tax credit issued by the board
16 shall not be pledged by a designated investor as security for
17 a loan on or after the effective date of this division of this
18 Act.

19 *b.* Notwithstanding the prohibition in paragraph "a", a
20 certificate and related tax credit or verified tax credit
21 issued by the board may be pledged by a designated investor as
22 security for a loan to the extent such pledge is required by
23 the fund documents. In addition, the board, with the approval
24 of the director of revenue and the attorney general, may
25 authorize a certificate and related tax credit to be pledged
26 as security for a loan or an extension of credit, but only
27 if such a pledge is necessary to arrange new financing terms
28 with a creditor or to repay creditors for moneys loaned to a
29 designated investor.

30 8. *Rural and small business loan guarantees prohibited.*

31 Notwithstanding any other provision in this division VII
32 to the contrary, the Iowa capital investment corporation
33 shall not make rural and small business loan guarantees or
34 otherwise administer a program to provide loan guarantees and
35 other related credit enhancements on loans to rural and small

1 business borrowers within the state of Iowa on or after the
2 effective date of this division of this Act.

3 9. *Iowa capital investment corporation purposes amended.*

4 Notwithstanding section 15E.64, on or after the effective date
5 of this division of this Act, the purposes of the Iowa capital
6 investment corporation shall be to comply with its obligations
7 under the fund documents and to assist the board, the director
8 of revenue, and the attorney general in effectuating the
9 orderly wind-up of the Iowa fund of funds. In effectuating
10 such a wind-up, the Iowa capital investment corporation shall
11 comply with all reasonable requests by the board, the director
12 of revenue, the attorney general, or the auditor of state.

13 10. *Use of revolving fund prohibited.*

14 a. Notwithstanding section 15E.65, subsection 2, paragraph
15 "a", on or after the effective date of this division of this
16 Act, all investment returns received by the Iowa capital
17 investment corporation that are in excess of those payable to
18 designated investors shall be deposited in the general fund of
19 the state.

20 b. This subsection shall not be construed to impair the
21 terms of the fund documents. It is the intent of the general
22 assembly that this subsection only applies in the event that
23 there are investment returns in excess of those necessary to
24 repay creditors and designated investors under the terms of the
25 fund documents.

26 11. *Preservation of existing rights.* This section is not
27 intended to and shall not limit, modify, or otherwise adversely
28 affect the fund documents, including any certificate or related
29 tax credit issued before the effective date of this division
30 of this Act.

31 12. *Future repeal.* This division VII is repealed upon the
32 occurrence of one of the following, whichever is earlier:

33 a. The expiration or termination of all fund documents. The
34 director of revenue shall notify the Iowa Code editor upon the
35 occurrence of this condition.

1 *b.* December 31, 2027.

2 Sec. 22. EFFECTIVE UPON ENACTMENT. This division of this
3 Act, being deemed of immediate importance, takes effect upon
4 enactment.

5 DIVISION IV

6 REPLACEMENT TAXES

7 Sec. 23. Section 437A.15, subsection 7, paragraph b, Code
8 2013, is amended to read as follows:

9 *b.* The task force shall study the effects of the replacement
10 tax on local taxing authorities, local taxing districts,
11 consumers, and taxpayers through January 1, ~~2013~~ 2016. If the
12 task force recommends modifications to the replacement tax that
13 will further the purposes of tax neutrality for local taxing
14 authorities, local taxing districts, taxpayers, and consumers,
15 consistent with the stated purposes of this chapter, the
16 department of management shall transmit those recommendations
17 to the general assembly.

18 DIVISION V

19 STUDY REPORT

20 Sec. 24. ADMINISTRATIVE APPEALS PROCESS FOR TAX MATTERS
21 AND NEW TAX APPEAL BOARD — REPORT. The department of
22 revenue, in consultation with the department of management
23 and other interested stakeholders, shall study the
24 independence, effectiveness, and fairness of the state's
25 current administrative appeals processes for tax matters and
26 shall make recommendations for changes, if necessary, and
27 shall additionally study the desirability, practicality, and
28 feasibility of replacing components of these processes with
29 a new consolidated and independent administrative appeals
30 board for tax matters within the executive branch to resolve
31 disputes between the department of revenue and taxpayers. The
32 department of revenue shall prepare and file a report detailing
33 its findings and recommendations with the chairpersons and
34 ranking members of the ways and means committees of the senate
35 and the house of representatives and with the legislative

1 services agency by January 8, 2014. This section of this Act
2 shall not be construed to provide the department of revenue
3 with the power or authority to eliminate or in any way modify
4 the property assessment appeals board created pursuant to
5 section 421.1A.

6 DIVISION VI

7 SECURE AN ADVANCED VISION FOR EDUCATION FUND

8 Sec. 25. Section 423F.2, subsection 1, paragraph b, Code
9 2013, is amended to read as follows:

10 b. The increase in the state sales, services, and use taxes
11 under chapter 423, subchapters II and III, from five percent
12 to six percent shall replace the repeal of the county's local
13 sales and services tax for school infrastructure purposes. The
14 distribution of moneys in the secure an advanced vision for
15 education fund and the use of the moneys for infrastructure
16 purposes or property tax relief shall be as provided in this
17 chapter. ~~However, the formula for the distribution of the~~
18 ~~moneys in the fund shall be based upon amounts that would have~~
19 ~~been received if the local sales and services taxes under~~
20 ~~former chapter 423E, Code and Code Supplement 2007, continued~~
21 ~~in existence.~~

22 Sec. 26. Section 423F.2, subsection 3, Code 2013, is amended
23 to read as follows:

24 3. The moneys available in a fiscal year in the secure an
25 advanced vision for education fund shall be distributed by the
26 department of revenue to each school district ~~in an amount~~
27 ~~equal to the amount the school district would have received~~
28 ~~pursuant to the formula in section 423E.4 as if the local sales~~
29 ~~and services tax for school infrastructure purposes was imposed~~
30 on a per pupil basis calculated using each school district's
31 budget enrollment, as defined in section 257.6, for that fiscal
32 year. Moneys in a fiscal year that are in excess of that needed
33 to provide each school district with its formula amount Prior
34 to distribution of moneys in the secure an advanced vision for
35 education fund to school districts, two and one-tenths percent

1 of the moneys available in a fiscal year shall be distributed
2 and credited to the property tax equity and relief fund created
3 in section 257.16A.

4 Sec. 27. APPLICABILITY. This division of this Act applies
5 to fiscal years beginning on or after July 1, 2014.

6 EXPLANATION

7 This bill relates to the policy administration of the
8 tax and related laws of the department of revenue, including
9 the administration of income taxes, sales and use taxes, the
10 orderly wind-up and eventual repeal of the Iowa fund of funds
11 program, a study report related to the current administrative
12 appeals process for tax matters and the possible creation of
13 a new tax appeal board.

14 DIVISION I — INCOME TAXES. The division amends the
15 allocation of income provisions in Code sections 422.5 and
16 422.8 to provide that an estate or trust with a situs in Iowa
17 that is a shareholder in an S corporation is eligible to claim
18 the S corporation apportionment credit.

19 The division amends the income tax return filing
20 requirements for partnerships in Code section 422.15. Under
21 current law, partnerships are required to file an Iowa return
22 if they have a place of business in the state. The division
23 provides that partnerships are required to file an Iowa return
24 if they are doing business in the state, or are deriving income
25 from sources within this state. "Income from sources within
26 this state" means income from real, tangible, or intangible
27 property located or having a situs in this state.

28 The division repeals the assistive device tax credit
29 available for the corporate income tax in Code section 422.33
30 and repeals the disaster recovery housing project tax credit
31 for the individual and corporate income tax in Code sections
32 16.211 and 16.212, and makes various conforming amendments to
33 remove references to these credits throughout the Code.

34 The division takes effect upon enactment and the provisions
35 amending Code sections 422.5, 422.8, and 422.15 apply

1 retroactively to January 1, 2013, for tax years beginning on
2 or after that date.

3 DIVISION II — SALES AND USE TAXES. The division amends Code
4 section 421.16, which relates to the imposition of personal
5 liability against officers of corporations or associations,
6 members or managers of limited liability companies, or partners
7 of partnerships, for certain taxes if the individual has
8 control or supervision of or the authority for remitting the
9 taxes and a substantial equitable interest in the ownership of
10 the business. The division provides that personal liability
11 can also be asserted against these individuals for repayment
12 of a sales and use tax refund received by a business under Code
13 section 15.331A, which repayment can occur when a business
14 fails to meet its contractual obligations under the economic
15 development authority's enterprise zone program or high quality
16 jobs program.

17 The division exempts from the state sales and use tax private
18 security and detective services furnished by a peace officer
19 with the knowledge and consent of the chief executive officer
20 of the peace officer's law enforcement agency.

21 The division makes several amendments to the sales tax
22 exemption in Code section 423.3(47) for the purchase or rental
23 of certain items used in processing by a manufacturer. First,
24 the sales tax exemption is amended to include consumable
25 supplies. "Consumable supplies" is defined as tangible
26 personal property that is consumed or expended during the
27 manufacture of other tangible personal property, and includes
28 but is not limited to oils, greases, hydraulic fluids,
29 coolants, and lubricants.

30 Second, the sales tax exemption adds the language of the
31 definition of "manufacturer" in Code section 428.20, and
32 strikes the reference to that Code section. The definition of
33 "manufacturer" is further amended to provide that it shall not
34 be construed to require that a person be primarily engaged in
35 an activity listed in the definition in order to qualify as a

1 manufacturer for purposes of the sales tax exemption.

2 Finally, "replacement part" is defined for purposes of the
3 sales tax exemption to mean tangible personal property that
4 is not a consumable supply, not a jig, die, tool, or other
5 device that is used in conjunction with machinery or equipment,
6 and that is specially designed for use in manufacturing
7 specific products and that may be used interchangeably and
8 intermittently on a particular machine or piece of equipment,
9 and which further meets the conditions of being property that
10 replaces a separate component of a computer, machinery, or
11 equipment, performs the same function as that component, and
12 restores or improves the computer, machinery, or equipment.

13 The division amends the definitions of "agricultural
14 production" and "agricultural products" for purposes of Code
15 chapter 423 to include production from silvicultural activities
16 and products of silviculture. Both definitions are applicable
17 to several sales tax exemptions in current Code section 423.3.

18 The division exempts from the sales and use tax services
19 furnished by forestry consultants and forestry vendors engaged
20 in forestry practices on private or public land.

21 DIVISION III — IOWA FUND OF FUNDS. The division provides
22 for an orderly wind-up and eventual repeal of the Iowa fund
23 of funds program in accordance with the provisions of its
24 organizational documents and with the terms of the fund
25 documents. "Fund documents" is defined as all the agreements
26 entered into prior to the effective date of the division
27 between or among the state, the Iowa fund of funds, a fund
28 allocation manager or similar manager, the Iowa capital
29 investment corporation, the board, a creditor (as defined in
30 the division), a designated investor, and a private seed or
31 venture capital partnership, and includes other documents
32 having the same force and effect between or among such parties
33 as any of the foregoing may be amended, modified, restated, or
34 replaced from time to time. The division creates a new Code
35 section 15E.72 that will govern the wind-up and repeal.

1 The division prohibits a new Iowa fund of funds from being
2 organized and prohibits any new investments from being made by
3 the existing Iowa fund of funds in private seed and venture
4 capital partnerships or entities except as required by the
5 fund documents. The division prohibits a new investment by
6 a designated investor in the Iowa fund of funds unless it is
7 required by the fund documents or the director of revenue and
8 attorney general determine such an investment is necessary to
9 preserve fund assets, repay creditors, pay taxes, or otherwise
10 effectuate an orderly wind-up of the program. The division
11 prohibits the Iowa capital investment board from issuing,
12 redeeming, or verifying a certificate or related tax credit,
13 including a verified tax credit, unless the board is required
14 to do so under the terms of the fund documents, unless it is
15 deemed necessary by the director of revenue and the attorney
16 general in order to arrange new financing with a creditor, or
17 unless it is deemed necessary by the director of revenue and
18 the attorney general to preserve fund assets, repay creditors,
19 or otherwise effectuate an orderly wind-up of the program.

20 The division prohibits the Iowa capital investment
21 corporation from soliciting, selecting, terminating, or
22 changing a fund allocation manager or similar manager. All
23 decisions pertaining to relationships with a fund allocation
24 manager will now be made by the director of revenue with the
25 approval of the attorney general.

26 The division prohibits a certificate and related tax credit
27 from being pledged as security for a loan or an extension of
28 credit unless such a pledge is required by the fund documents
29 or unless the director of revenue and the attorney general
30 authorize such a pledge to be made because it is necessary to
31 arrange new financing terms with a creditor or repay creditors
32 for moneys loaned to a designated investor.

33 The division prohibits the Iowa capital investment
34 corporation from making rural and small business loan
35 guarantees or from otherwise administering a program to provide

1 such loan guarantees or related credit enhancements on loans to
2 rural and small business borrowers.

3 The division amends the purposes of the Iowa capital
4 investment corporation to provide that its purpose shall be
5 to comply with its obligations under the fund documents and
6 to assist the Iowa capital investment board, the director of
7 revenue, and the attorney general in effectuating an orderly
8 wind-up of the Iowa fund of funds and in doing so shall comply
9 with all reasonable requests of these entities or the auditor
10 of state.

11 The division prohibits the Iowa capital investment
12 corporation from depositing returns in excess of those payable
13 to designated investors in a revolving fund and instead
14 mandates that those amounts be deposited in the general fund of
15 the state. This requirement shall not be construed to impair
16 the terms of the fund documents.

17 The division provides that new Code section 15E.72 is not
18 intended to and shall not limit, modify, or otherwise adversely
19 affect the fund documents, including certificates and related
20 tax credits issued before the effective date of the division.

21 Finally, the division provides that the Iowa fund of funds is
22 repealed upon the earlier of December 31, 2027, or the date all
23 fund documents expire.

24 The division takes effect upon enactment.

25 DIVISION IV — REPLACEMENT TAXES. The division extends
26 through January 1, 2016, the replacement tax task force which
27 expired on January 1, 2013.

28 DIVISION V — STUDY REPORT. The division establishes a
29 report to be prepared and filed by the department of revenue.
30 The department of revenue, in consultation with the department
31 of management and other interested stakeholders, shall study
32 the current administrative appeals processes for tax matters
33 and make recommendations for changes if necessary, and also
34 study the possibility of creating a new consolidated tax
35 appeal board. The report detailing any recommended changes

1 or findings shall be filed with the chairperson and ranking
2 members of the ways and means committees of the senate and the
3 house of representatives and with the legislative services
4 agency by January 8, 2014. The division provides that the
5 study report shall not be construed to provide the department
6 of revenue with the power or authority to eliminate or in any
7 way modify the property assessment appeals board.

8 DIVISION VI — SECURE AN ADVANCED VISION FOR EDUCATION FUND.

9 The division modifies provisions relating to the allocation
10 and distribution of moneys from the secure an advanced vision
11 for education fund to provide that moneys shall be distributed
12 to school districts on a per pupil basis, calculated using
13 each school district's budget enrollment for the fiscal year.
14 The division also provides that prior to the distribution
15 of moneys, 2.1 percent of the moneys available shall be
16 distributed and credited to the property tax equity and relief
17 fund. The division applies to fiscal years beginning on or
18 after July 1, 2014.